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FEDERAL TRANSFER PAYMENTS TO THE
PROVINCES FOR HEALTH AND POST-
SECONDARY EDUCATION: NEW TRENDS

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**FEDERAL TRANSFER PAYMENTS TO THE
PROVINCES FOR HEALTH AND POST-SECONDARY
EDUCATION: NEW TRENDS**



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FEDERAL TRANSFER PAYMENTS TO THE PROVINCES FOR HEALTH AND POST-SECONDARY EDUCATION: NEW TRENDS

ISSUE DEFINITION

Federal transfer payments to the provinces, particularly for health, education and equalization, are the main reason for the existence of the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contribution Act* (hereafter the *Fiscal Arrangements Act*). The political and economic evolution of these transfer payments has shaped Canadian federalism, especially as they have sparked debate on centralization and the federal government's spending power in areas of provincial jurisdiction.

Although they originated in the post-war years, the fiscal transfers still being made today really developed in the 1960s and 1970s. A growing number of analysts now see these transfers as outdated economic tools, due for in-depth re-examination. They see transfer payments as belonging to a very different economic world from the one we inhabit today; in that older world, growth was creating substantial collective wealth, which made possible a welfare state -- when the economy is doing well, everything else does well too. But, as we all know, a big pie is much easier to share than a small pie, because the supply is less likely to run out and more likely to satisfy everyone.

This document will examine the factors, symptomatic of greater trends, beginning to affect the two largest federal transfers to the provinces, Established Programs Financing (EPF) and Equalization Payments. Using statistics to determine the broad outlines of how transfer payments are evolving, the document will look mainly at the future; the historical and technical aspects of transfer payments, are more fully covered in other Research Branch publications.

BACKGROUND AND ANALYSIS

An argument could be made for little change in the 1982 *Fiscal Arrangements Act*, in order to minimize federal-provincial tension. The renewal of the legislation follows a period of considerable friction in federal-provincial relations generated by controversy over major constitutional ... issues. ... As part of its overall strategy to reduce its budgetary deficit and shift its spending priorities towards economic development, the federal government has indicated that it wants to achieve significant savings in transfer payments to provincial governments ...

These pertinent and apparently topical comments could have been made yesterday. But they come from a document entitled *Financing Confederation - Today and Tomorrow*, which was published by the Economic Council of Canada in 1982.

The various federal transfer payments still comprise the major portion of the federal government's program spending (i.e., all spending apart from servicing of the national debt). Transfer payments to individuals and transfer payments to various other levels of government (provincial, territorial, municipal) make up the largest share of the spending, or more than 55% overall (see Table 1). By comparison, the federal government's operating expenditures and capital expenditures (apart from National Defence) represent only 16% of total program spending.

TABLE 1

| 1994-95 Main Estimates | | |
|---|------------------|-----------------|
| | (in \$ millions) | (as % of total) |
| Transfers to other levels of government | 28,975 | 23.6 |
| Transfers to individuals | 41,523 | 33.9 |
| Other transfers | 13,729 | 11.2 |
| Total program expenditure | 122,600 | |

Even after various cuts and freezes, EPF and Equalization Payments remain the two biggest components of transfer payments to the provinces; in 1994-95 they still represent, from the cash standpoint alone, 60% of such payments. Transfer cash payments for EPF and Equalization Payments represent almost 15% of the federal government's total program expenditures in 1994-95.

After more than a decade of discussion, the political debate over transfer payments has scarcely altered at all. Canada's economy, on the other hand, has altered dramatically, and now more than ever it is the economy that must dictate how federal transfer payments are financed. At the convention held in the summer of 1993, the Canadian Medical Association argued that the country's health insurance system will soon be colliding with economic reality and cannot be maintained in its present form. We might add that the collision has already taken place.

This situation is likely to call into question some of the policies that have traditionally underlain Canada's federal system. If the federal government and the provinces really want to improve the financing of the health and education sectors, they will have to start questioning some of those policies.

Let us now look at the recent evolution in public finances and analyze the effects this evolution has had and will have on fiscal transfers.

A. The Start of the Changes: The 1980s

By the early '80s the federal deficit had already started to balloon, reaching 8.7% of the Gross Domestic Product (GDP) in 1984-85. After hesitating for a long time, decision-makers realized they had no choice but to give in to the dictates of public finances with respect to transfer payments. The Canadian case is not unique: other countries whose transfers for social programs had grown dramatically, for example, Sweden, Finland and France, have had to face the task of putting their public finances on a sounder footing. What is not yet certain is how far each country will have to take this restructuring. For Canada the challenge is twofold, because it involves rethinking some of the underpinnings of our federal system; this in part explains the slow pace of economic reform here.

Between 1975 and 1985, program spending grew at an annual rate of 13.8%. It is thus not surprising to note that it represented 19.6% of GDP in 1984-85. During the same period, the federal government spent \$1.33 on programs for every dollar collected from the taxpayer. It was the increases in the two chief types of transfer payments, (i.e., to individuals and to other levels of government) that had the effect of raising federal spending as a whole.

It is even less surprising to note that one aspect of the Expenditure Control Plan announced in the budget of February 1990 and expanded in the 1991 and 1992 budgets affected these transfers. It did so, however, by focusing on transfers to the provinces, a less politically and electorally risky approach than tackling transfers to individuals, although risky enough, given the fragility of federal-provincial relations.

Ottawa began targeting transfers to the provinces in the mid '80s. In 1984, without consultation, it amended the *Fiscal Arrangements Act* to make it subject to the six-and-five program. Only EPF's education facet was affected by the new restrictions; health was then still untouchable.

However, the six-and-five program was primarily an anti-inflation measure. It was not until the May 1985 budget that the federal government first voiced its intention to limit increases in federal contributions to post-secondary education and health care. Bill C-96, which received Royal Assent on 27 June 1986, crystallized the strategy of reducing federal transfer payments: under the changes that were made at that time, EPF transfers continued to be tied to economic and demographic growth, but the rate of increase per capita was two percentage points lower than in the previous formula.

Then came the renewal of the fiscal arrangements for the period 1987 to 1992, and the announcement that Equalization Payments would be increasing at an annual average of from 5 to 6%, or more slowly than the provinces expected. When he tabled Bill C-44, which received Royal Assent on 14 April 1987, Finance Minister Michael Wilson announced that Ottawa was forgiving the provinces a \$270-million overpayment it had made to them in the two previous years.

In its budget of April 1989, the government persisted with its intention of reducing the growth rate of transfer payments under EPF. The tabling of Bill C-33, on 27 June 1989, constituted in a way "Phase II" of the federal financial strategy for controlling the deficit by

reducing fiscal transfers to the provinces; that was when people began talking about "downloading the deficit onto the provinces." In calculating transfers, an "escalator" is used; this escalator is a moving average of per capita GNP growth, based on the three calendar years preceding the current fiscal year. Bill C-33 would have brought increases in transfers down by another point from the formula established in Bill C-96. For the 1990-91 fiscal year the escalator would have been:

$$\begin{array}{rcl} & (1989 \text{ per capita GNP}) & \\ \text{the cube root of:} & \frac{\quad}{(1986 \text{ per capita GNP})} & \text{less } 0.03. \end{array}$$

The provinces reacted vigorously to this new retrenchment, which would weaken their own public finances. Quebec was among the first to establish that the federal government's withdrawal from the funding of health and post-secondary education could eventually breach the federal-provincial agreements. As will be seen further on, federal withdrawal also makes it more difficult to impose national standards.

B. The 1990s: After Cuts, a Freeze

The budget of 20 February 1990 disrupted the scenario set out in Bill C-33 by freezing per capita EPF transfers at their 1989-90 level for two years. Bill C-69, which was tabled 15 March 1990 and received Royal Assent 1 February 1991, repealed Bill C-33 and introduced a transfer growth rate equal to that of the growth rate of the population of each province, i.e., about 1.0% at the national level.

Nor did it take long before another change was introduced into the EPF transfer payments system: the February 1991 budget extended to 1994-95 the freeze on EPF entitlements already imposed for the years 1990-91 and 1991-92. The federal government hoped to make savings in the order of \$2.34 billion over five years, and the freeze was the budget's major expenditure-reduction measure. Bill C-20, An Act to amend certain statutes to implement the budget tabled in Parliament on February 26, 1991, received Royal Assent on 17 December 1991.

This virtually non-stop series of cuts and freezes in federal government transfers to the provinces pushed the federal government into a corner; it realized that it risked losing

control over national standards in health care, should cash transfers to any province cease entirely. It therefore took care to include in its bill a provision deeming other federal transfer payments to the provinces to be payments within the meaning of the *Canada Health Act*.

A number of analysts have calculated the amounts saved by the federal government (or lost by the provinces, depending on the point of view) as a result of altering the growth rate of transfer payments to the provinces. According to a methodology based on progressive calculation, i.e., taking into account the changes as they occurred and comparing them with the previous state of affairs, the federal government would seem to be saving in the neighbourhood of \$22 billion through not making payments to the provinces for health and higher education over the period 1985 to 1994 (see Table 1A at the end of the text). It should be made clear at this point that the amount will vary, depending on adjustments that go along with the calculation of transfers. Also, it should be noted that the provinces, after having loudly and doggedly protested against the freeze, modified their objections when a revision upward of the provincial populations meant a larger increase in transfer payments.

In its April 1993 budget, the federal government did not introduce any further restrictions on its transfers to the provinces, but it did provide for consideration of "potential reforms to the major federal-provincial transfers ... not only to adapt them to economic and fiscal circumstances but also to find ways to make them meet the needs and priorities of Canadians more effectively."

This consideration would be nothing more nor less than a cost-benefit analysis of Canada's federal system. This is a complex challenge, with many possible pitfalls, and involving concepts like universality, fairness, efficiency, accessibility and identity.

C. The Impact of Trends in EPF Transfer Payments

The urgency of the situation must not be underestimated, especially in the health and education sectors; but the federal government's ability to find quick, valid solutions that are acceptable to all should not be overestimated either. The long and tortuous history of federal provincial relations is unfortunately marked by decisions that have nothing to do with a search for balance in the use of our resources. But the changes made in fiscal arrangements in recent

years have been motivated by the fight to reduce the deficit and have not been part of the traditional constitutional debate. For that reason the changes must be viewed as a search for a new economic balance between the central government and the provinces.

This is particularly true in the health and education sectors, where resource use is often far from optimal. The inefficiency has its roots in the unconditional nature of the transfers, but also in the provinces' reliance on money from Ottawa to the point that they now regard transfer payments as an integral part of their budgets. In the 1970s and 1980s, which were marked by periods of strong economic growth, this method of financing encouraged the establishment of health-care and educational institutions and services that have now become too expensive to maintain. Abundance, or what was perceived to be abundance, also affected decisions by officials who often lost sight of what was really at stake. For example, in the health sector it was easier to allocate resources to cure than to prevention; however, now it is recognized that the best health plans devote a large share of their resources to prevention, with the obvious goal of reducing long-term costs.

What worked yesterday does not work today, and what was taboo in the past is accepted today. This applies to the federal transfer payment system, which, after having its successes, is now coming up against failures. Few people would dispute that to rectify the inefficient allocation of resources it is urgent that we put our public finances on a sounder footing so as to create an economic environment that will contribute more to efficiency and growth. However, the way to achieve this may not be compatible with certain political and social, or provincial, expectations.

This is best seen in the opposing viewpoints of Ottawa and the provinces. While the former speaks of "a national solution to the national debt problem," the latter, like the Quebec government in its most recent budget, think rather that "federal transfers are part of the problem of [provincial] public finances. They should be part of the solution." These are subtly different perspectives, and very illustrative of the Gordian knot presented by federal-provincial fiscal arrangements.

The federal government would seem to be feeling more and more trapped by its policy of imposing national standards, as indicated by its tabling of Bill C-20 and its desire, announced in the April 1993 budget, to reconsider the financing of transfer payments. There is

something absurd about this wrestling over the maintenance of national standards, which, in the opinion of a number of commentators, do not reflect current economic realities and are still less compatible with the federal government's intention to fight the deficit. When there is a financial problem at the macro-economic level, and artificial barriers prevent signals from getting through to the micro-economic level (or worse still impose restrictions that make the search for greater efficiency virtually hopeless), it is very difficult for administrators, whether provincial or local (hospital managers, school trustees) to make suitable changes in the allocation of resources.

For the moment, the trend is toward reduction of the federal government's deficit, partly at the expense of EPF. But there is a limit to what this strategy can achieve if certain fundamental principles like the accessibility, universality, transferability and comprehensiveness of the public health-care system are not rethought. Efficient resource management must be achieved through such rethinking. To deny this is to deny economic reality; it amounts to turning our backs on the very foundation of federalism.

D. Outlook for the Future

Future discussion of Canada's social safety net will continue to be played out against the backdrop of the same dilemma: the choice between running a deficit and controlling federal transfer payments. The process has already started: in its budget of 26 April 1993, the federal government undertook discussions with the provinces on reforming the major federal-provincial transfers.

Canada's social safety net, particularly as regards health care, has long been the envy of many industrialized countries, but for some years now it has resulted in inefficiency that is weakening the fabric of federalism. The federal government and the provinces now have an obligation to find, and find quickly, grounds for agreement that will enable a better allocation of resources in the sectors of health, education and equalisation, and that will favour the well-being of Canadians.

The debate is not new, but it has probably reached its breaking point. What is new, on the other hand, is the context of the discussion, which is made up not of constitutional

concerns but economic considerations. This is a new trend and one that is surely a harbinger of things to come.

In the coming years, economic rationality will have to win out over constitutional concerns. If the central government wants to reduce transfer payments, it will have to rethink standards that have become incompatible with economic reality and make them more flexible. It may also have to rethink the strategy of establishing new standards, which is currently being discussed with respect to the education sector.

Ottawa has reached an important stage, which consists in openly acknowledging that it simply no longer has the financial power to maintain its spending power in areas of provincial jurisdiction, as is clearly proven by the dwindling of payments under EPF, the result of its partial but progressive withdrawal from this sector (see Figure 1). Economically, in its fight to reduce the deficit, Ottawa has already acknowledged this, as the April 1993 budget made clear.

Although it is not easy to forecast where the federal government will concentrate its efforts in pursuing the war on the deficit, it is undeniable that EPF has been the first target, and everything suggests that EPF and other types of federal transfer payments will continue to be particularly under attack. Figure 2 demonstrates this fact clearly: federal transfer payments are still an attractive and substantial area for possible cuts.

An initial solution that might suggest itself to the federal government would be a rethinking of its spending power and a revision of its health-care standards, which sometimes result in inefficiency, so as to give administrators of health-care facilities more flexibility. It is increasingly obvious that when certain health-care services are apparently free and universal, demand often runs out of control and pushes costs up. This poor use of resources leads ultimately to reduced services; thus, even though the principle of universality is being respected, the quality of care makes social programs only a pale shadow of what they ought to be.

There is no thought of renouncing a health-care system that is the envy of many countries, but rather of making the system more open and more efficient, by sending the right signals to users of the services. These signals will make it clear that, though public funding can continue, it can no longer satisfy the same level of demand for services.

FIGURE 1
FEDERAL CONTRIBUTIONS FOR EPF
AS A PERCENTAGE OF TOTAL PROVINCIAL/TERRITORIAL SPENDING
ON HEALTH AND POST-SECONDARY EDUCATION

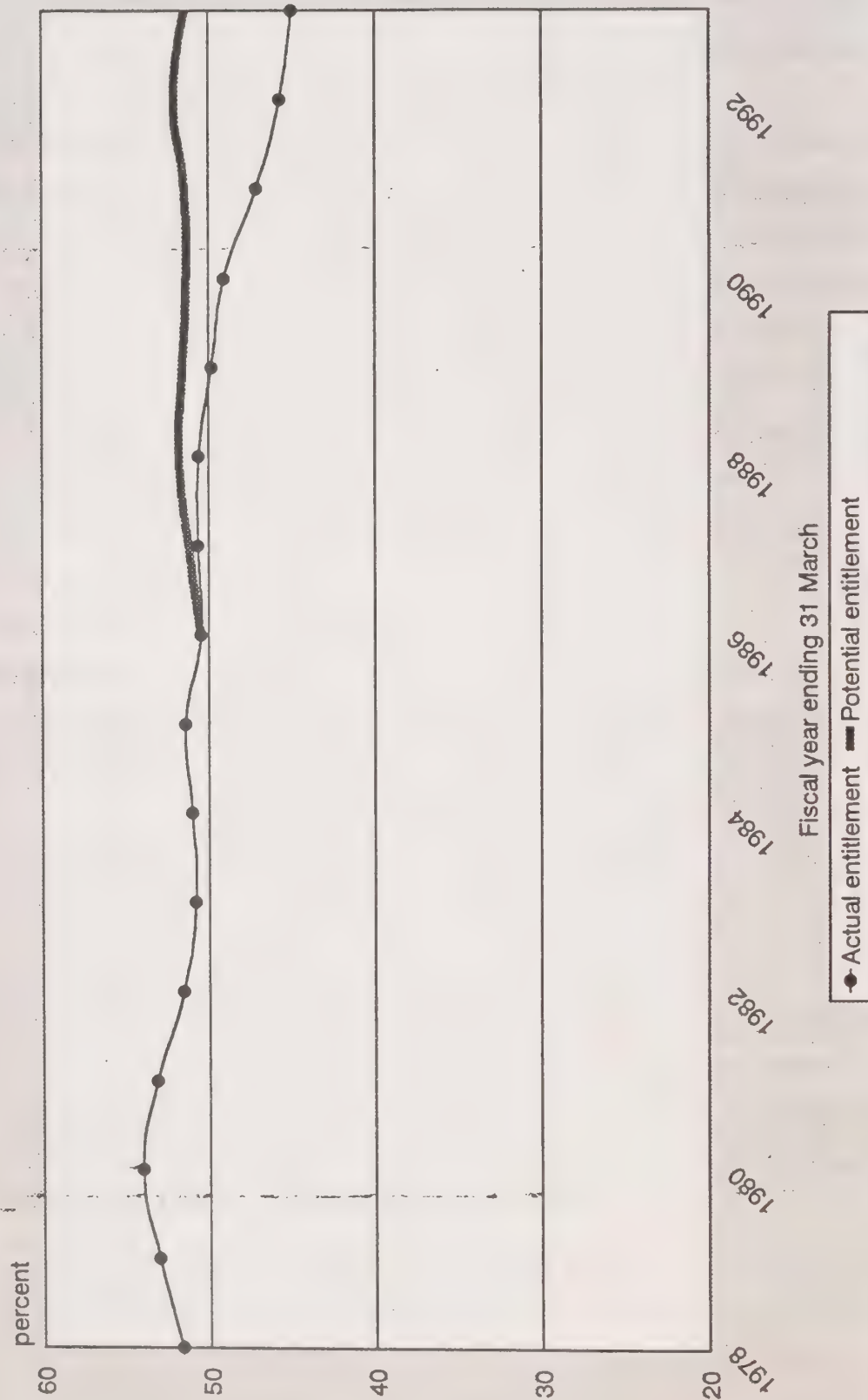
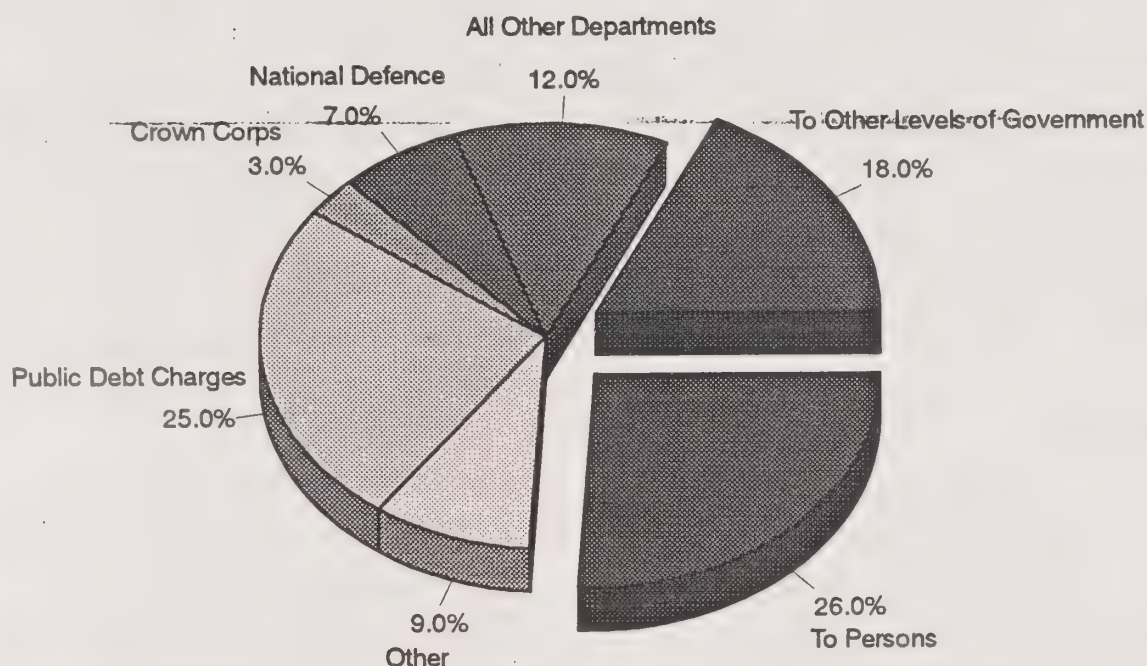


FIGURE 2

FEDERAL EXPENDITURES BY TYPE OF PAYMENT 1994-1995



Demand brings us to supply. Controlling supply could be a useful way to approach reform, and has the potential for generating major gains, particularly in the health-care sector. According to an increasingly common view among health sector analysts, overconsumption of health-care services may not be due principally to users but to the working methods of health-care professionals. The Canadian Medical Association claimed recently that, though considerable effort has been expended on reducing expenditure without diminishing the quality of care, there is a limit to possible ways of spending more intelligently. Many observers believe, however, that there is still room for increased efficiency.

The Canadian Public Health Association, for instance, claims that a third of all health-care sector expenditures go on needless services that have no real link with patients' health. Managers thus have some room in which to manoeuvre, which they can use to change

attitudes developed in the days when public funding allowed for almost everything. It is not the technology or the scientific knowledge that is lacking but rather the administrative know-how.

The governments of Ontario, Quebec and British Columbia took this route when they introduced cost controls and internal audits to bring about more efficient use of resources in their respective health-care sectors. More recently, the Atlantic provinces reached an agreement on sharing certain emergency medical services, so as to avoid costly duplication.

Cost control requires data. The notion of price has to be reintroduced into areas supported by public funding, because price represents the ultimate reality in the balance of power between those providing a service and those using it. It may not even be necessary for the user to pay his own costs directly (the capacity to pay is more an issue of equity than optimal allocation of resources) but it is imperative that the cost of the services offered be better known if users and providers are going to be able to change their attitudes to consumption and production.

Although this second approach is politically more difficult, it is more effective. Given the economic trends of the '90s, which are increasingly focused on total quality, minimum cost and fighting inflation, the traditional equation of "good political decisions = bad economic decisions" could well be overturned; in this case it would become politically correct to choose policies that were also economically correct.

Another approach, totally different and not very likely, would be for the federal government to adopt a fiscal strategy that would dramatically change the way in which transfers have traditionally been shared out.

The existing policy for EPF transfers does not take into account the provinces' differing fiscal capacity. What is more, the per capita cuts and the freeze have not shifted more of the burden to the richer provinces, although the 5% limit for the better-off provinces under the Canada Assistance Plan is a step in that direction. In 1994-95, almost 60% of federal transfer payments under EPF went to the three wealthiest provinces, Ontario, Alberta and British Columbia (see Table 2A).

In 1991-92, the GST brought in net revenues of \$14.9 billion, while federal transfer payments for health, by an interesting coincidence, also totalled \$14.9 billion. The federal government could thus take a radically new direction and replace the GST -- which is not meeting financial expectations, has not had the anticipated stimulating effects, and has

created an administrative mess -- with a true national tax that would (for instance) serve to fund health-care services. The idea of a national retail-level sales tax, simpler and more efficacious than the GST and administered jointly by the provinces and the federal government, was suggested in 1966 by the Royal Commission on Taxation (the Carter Commission). By looking again at this idea and adapting it to today's economic situation, the federal government and the provinces might come up with a powerful economic instrument for financing Canada's health system. The less-well-off provinces would have more trouble managing because their tax bases are smaller than those of the wealthier provinces, but as already noted, the current per capita freeze does not allow for the differing fiscal capacity of the poorer provinces anyway. On the other hand, equalization that did take into account the fiscal capacity of each province would be more likely to smooth out regional disparities and would thus better serve the basis of Canadian federalism.

However revolutionary it may seem, the approach we have just described could offer a new basis for federal-provincial relations, making it possible to revitalize part of a federal transfer system that is not able to respond to the demands now imposed as the year 2000 approaches. Moreover, following their meeting in St. John's, Newfoundland, in August 1995, some of the provincial premiers stated that the federal government ought to cut its spending by allowing the provinces to manage the new economic reality, particularly with regard to health care.

PARLIAMENTARY ACTION

In his October 1994 discussion paper entitled "Improving Social Security in Canada," the Hon. Lloyd Axworthy, Minister of Human Resources Development, raises the possibility of a new approach to funding for post-secondary education. It was the federal budget brought down on 27 February 1995, however, that sounded the death knell for the EPF program in its current form. In the budget, the government gave notice that transfer payments to the provinces, made currently under the EPF program and the Canada Assistance Plan (CAP), would be replaced by the "Canada Social Transfer" beginning in 1996-1997. (Note: The *Budget Implementation Act, 1995* refers the "Canada Health and Social Transfer"; in this document, we will use the term "social transfer" or "CST".)

The CST is intended to provide block funding to the provinces to afford them greater latitude in the delivery of social programs. Paradoxically, the federal government intends to continue to enforce national health care standards. Figure 2A shows how the CST may evolve over time.

The amount of \$26.9 billion earmarked for the CST in 1996-1997 was set more or less arbitrarily, but was confirmed in the *Budget Implementation Act, 1995*. According to the legislation, the CST will be distributed in the proportions that the provinces should have received in 1995-1996 under the EPF and the funds that they received under the CAP in 1994-1995. Consequently, the shortfall faced by Ontario and British Columbia because of the CAP ceilings imposed over the last few years will likely continue under the CST. With regard to Quebec, the reduced federal transfer payments from the adoption of the CST may mean that the tax portion (tax points) of the transfers will exceed total entitlements more quickly than anticipated - even as early as the turn of the century, according to some estimates. If the trend were to continue, not only would Quebec cease to receive cash transfers, but, because of its unique situation in regard to the special rebate of 8.5%, it might in theory actually have to reimburse the federal government. At the moment, however, this issue is politically explosive and highly speculative.

Although the federal budget projected an amount of \$25.1 billion for the CST in 1997-1998, it has remained silent about how the funds are to be distributed. Future legislation is anticipated to approve the amount. Finally, the federal government has indicated that it would consult with the provinces in drawing up a formula for distributing the CST in subsequent years. Some analysts believe that the current transitional formula may point the way for the future.

CHRONOLOGY

- 1993 - In its budget of 26 April 1993, the federal government indicated that, in conjunction with the provinces, it would be examining possible reforms to the major transfer payments.
- 1994 - The equalization program was renewed for five years.

1995 - In its February budget, the federal government announced the adoption of the "Canada Social Transfer," beginning in 1996-1997.

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TABLE 1A

POTENTIAL SAVINGS FROM CUTS AND FREEZES IN ESTABLISHED
PROGRAMS FINANCING HEALTH AND POST-SECONDARY EDUCATION)
(in \$ thousands)

CURRENT TRANSFERS

| | Newfound- land | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskat- chewan | Alberta | British- Columbia | TOTAL |
|--------------|-------------------|----------------------------|----------------|------------------|------------|------------|-----------|-------------------|------------|----------------------|-------------|
| 1985-1986 | 356,081 | 78,506 | 542,689 | 442,313 | 4,058,766 | 5,611,568 | 662,941 | 628,298 | 1,463,267 | 1,788,257 | 15,679,666 |
| 1986-1987 | 374,580 | 83,469 | 575,497 | 468,216 | 4,310,479 | 6,006,415 | 706,013 | 665,789 | 1,565,467 | 1,904,181 | 16,710,023 |
| 1987-1988 | 391,893 | 87,816 | 605,672 | 491,367 | 4,547,783 | 6,391,288 | 744,328 | 700,731 | 1,640,212 | 2,017,757 | 17,671,619 |
| 1988-1989 | 410,267 | 92,685 | 636,101 | 515,214 | 4,789,909 | 6,802,511 | 781,945 | 731,022 | 1,722,933 | 2,149,573 | 18,687,988 |
| 1989-1990 | 433,126 | 98,517 | 673,693 | 544,384 | 5,079,961 | 7,272,818 | 823,857 | 763,488 | 1,839,819 | 2,311,852 | 19,900,974 |
| 1990-1991 | 429,057 | 98,058 | 676,627 | 545,606 | 5,137,104 | 7,421,753 | 821,743 | 750,890 | 1,883,703 | 2,400,741 | 20,227,874 |
| 1991-1992 | 429,257 | 97,052 | 680,361 | 553,644 | 5,241,883 | 7,769,933 | 822,223 | 746,367 | 1,924,395 | 2,503,583 | 20,835,469 |
| 1992-1993 | 430,771 | 96,704 | 684,978 | 555,325 | 5,287,226 | 7,874,731 | 824,455 | 746,147 | 1,953,870 | 2,564,973 | 21,087,737 |
| 1993-1994 | 432,775 | 97,223 | 689,131 | 558,590 | 5,334,193 | 8,001,031 | 827,505 | 745,279 | 1,989,084 | 2,613,868 | 21,358,347 |
| Total 87-94: | 3,331,726 | 751,524 | 5,222,060 | 4,232,346 | 39,728,538 | 57,540,480 | 6,352,069 | 5,849,713 | 14,519,483 | 18,466,528 | 156,480,031 |

POTENTIAL SAVING

| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|--------------|---------|---------|---------|---------|-----------|-----------|---------|---------|-----------|-----------|------------|
| 1985-1986 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1986-1987 | 7,049 | 1,546 | 10,881 | 8,838 | 81,516 | 113,557 | 13,328 | 12,589 | 29,614 | 35,998 | 315,834 |
| 1987-1988 | 15,040 | 3,350 | 23,243 | 18,857 | 174,527 | 245,275 | 28,565 | 26,891 | 62,946 | 77,434 | 678,172 |
| 1988-1989 | 23,893 | 5,398 | 37,046 | 30,005 | 278,956 | 396,166 | 45,539 | 42,574 | 100,341 | 125,188 | 1,088,356 |
| 1989-1990 | 33,943 | 7,721 | 52,795 | 42,662 | 398,101 | 569,949 | 64,564 | 59,832 | 144,181 | 181,172 | 1,559,581 |
| 1990-1991 | 74,892 | 16,460 | 109,267 | 90,000 | 812,030 | 1,141,432 | 137,642 | 127,550 | 288,535 | 347,163 | 3,152,602 |
| 1991-1992 | 101,805 | 23,761 | 154,627 | 118,259 | 1,135,016 | 1,563,710 | 191,724 | 174,639 | 424,775 | 505,584 | 4,402,810 |
| 1992-1993 | 104,752 | 24,669 | 165,663 | 128,229 | 1,252,532 | 1,739,518 | 204,067 | 182,217 | 478,932 | 596,722 | 4,891,255 |
| 1993-1994 | 114,408 | 29,240 | 176,158 | 137,005 | 1,289,017 | 1,757,153 | 229,902 | 212,838 | 493,622 | 539,539 | 4,989,026 |
| Total 87-94: | 475,782 | 112,145 | 729,680 | 573,855 | 5,421,695 | 7,526,760 | 915,331 | 839,130 | 2,022,946 | 2,408,800 | 21,077,636 |

TRANSFERS BEFORE CUTS AND FREEZE

(calcul post-1986)

| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|--------------|-----------|---------|-----------|-----------|------------|------------|-----------|-----------|------------|------------|-------------|
| 1985-1986 | 356,081 | 78,506 | 542,689 | 442,313 | 4,058,766 | 5,611,568 | 662,941 | 628,298 | 1,463,267 | 1,788,257 | 15,679,666 |
| 1986-1987 | 381,629 | 85,015 | 586,378 | 477,054 | 4,391,995 | 6,119,972 | 719,341 | 678,378 | 1,595,081 | 1,940,179 | 17,025,857 |
| 1987-1988 | 406,933 | 91,166 | 628,915 | 510,224 | 4,722,310 | 6,636,563 | 772,893 | 727,622 | 1,703,158 | 2,095,191 | 18,349,791 |
| 1988-1989 | 434,160 | 98,083 | 673,147 | 545,219 | 5,068,865 | 7,198,677 | 827,484 | 773,596 | 1,823,274 | 2,274,761 | 19,776,344 |
| 1989-1990 | 467,069 | 106,238 | 726,488 | 587,046 | 5,478,062 | 7,842,767 | 888,421 | 823,320 | 1,984,000 | 2,493,024 | 21,460,555 |
| 1990-1991 | 503,949 | 114,518 | 785,894 | 635,606 | 5,949,134 | 8,563,185 | 959,385 | 878,440 | 2,172,238 | 2,747,904 | 23,380,476 |
| 1991-1992 | 531,062 | 120,813 | 834,988 | 671,903 | 6,376,899 | 9,333,643 | 1,013,947 | 921,006 | 2,349,170 | 3,009,167 | 25,238,279 |
| 1992-1993 | 535,523 | 121,373 | 850,641 | 683,554 | 6,539,758 | 9,614,249 | 1,028,522 | 928,364 | 2,432,802 | 3,161,695 | 25,978,992 |
| 1993-1994 | 547,183 | 126,463 | 865,289 | 695,595 | 6,623,210 | 9,758,184 | 1,057,407 | 958,117 | 2,482,706 | 3,153,407 | 26,347,373 |
| Total 87-94: | 3,807,508 | 863,669 | 5,951,740 | 4,806,201 | 45,150,233 | 65,067,240 | 7,267,400 | 6,688,843 | 16,542,429 | 20,875,328 | 177,557,667 |

ESTABLISHED PROGRAMS FINANCING TRANSFERS

(in \$ thousands)

| | Newfound- land | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskatchewan | Alberta | British Columbia | TOTAL |
|------------------|-------------------|----------------------------|----------------|------------------|-----------|-----------|----------|--------------|-----------|---------------------|------------|
| 1987-1988 | | | | | | | | | | | |
| Total Health | 279,211 | 62,566 | 431,521 | 350,083 | 3,240,146 | 4,553,582 | 530,310 | 499,248 | 1,168,597 | 1,437,585 | 12,590,447 |
| cash | 164,936 | 36,959 | 254,908 | 206,801 | 1,328,957 | 2,323,017 | 313,265 | 294,916 | 688,703 | 865,431 | 6,499,782 |
| fiscal | 114,275 | 25,607 | 176,613 | 143,282 | 1,911,189 | 2,230,565 | 217,045 | 204,332 | 479,894 | 572,154 | 6,090,665 |
| Total Education | 112,682 | 25,250 | 174,151 | 141,284 | 1,307,638 | 1,837,706 | 214,019 | 201,483 | 471,615 | 580,172 | 5,081,174 |
| cash | 58,598 | 13,131 | 90,565 | 73,472 | 403,121 | 782,037 | 111,297 | 104,778 | 244,493 | 309,387 | 2,198,619 |
| fiscal | 54,084 | 12,119 | 83,586 | 67,812 | 904,517 | 1,055,669 | 102,722 | 96,705 | 227,122 | 270,785 | 2,882,555 |
| TOTAL EPF | 391,893 | 87,816 | 605,672 | 491,367 | 4,547,784 | 6,391,288 | 744,329 | 700,731 | 1,640,212 | 2,017,757 | 17,671,621 |
| 1988-1989 | | | | | | | | | | | |
| Total Health | 292,302 | 66,835 | 453,201 | 367,073 | 3,412,652 | 4,846,565 | 557,110 | 520,830 | 1,227,534 | 1,531,500 | 13,314,577 |
| cash | 169,796 | 38,359 | 263,259 | 213,229 | 1,365,130 | 2,353,277 | 323,620 | 302,545 | 714,551 | 891,101 | 6,657,005 |
| fiscal | 122,506 | 27,676 | 189,942 | 153,844 | 2,047,522 | 2,493,288 | 233,490 | 218,285 | 512,983 | 640,399 | 6,657,572 |
| Total Education | 117,965 | 26,650 | 182,900 | 148,141 | 1,377,257 | 1,955,946 | 224,835 | 210,193 | 495,400 | 618,073 | 5,373,412 |
| cash | 59,986 | 13,552 | 93,005 | 75,330 | 408,218 | 775,937 | 114,330 | 106,885 | 252,619 | 314,989 | 2,222,555 |
| fiscal | 57,979 | 13,098 | 89,895 | 72,811 | 969,039 | 1,180,009 | 110,505 | 103,308 | 242,781 | 303,084 | 3,150,857 |
| TOTAL EPF | 410,267 | 92,685 | 636,101 | 515,214 | 4,789,909 | 6,802,511 | 781,945 | 731,023 | 1,722,934 | 2,149,573 | 18,687,968 |
| 1989-1990 | | | | | | | | | | | |
| Total Health | 308,588 | 70,190 | 479,984 | 387,856 | 3,619,304 | 5,181,643 | 596,971 | 543,960 | 1,310,810 | 1,647,118 | 14,178,786 |
| cash | 176,794 | 40,167 | 274,679 | 221,956 | 1,389,977 | 2,432,859 | 335,904 | 311,288 | 747,867 | 907,215 | 6,861,035 |
| fiscal | 131,994 | 30,023 | 205,305 | 165,900 | 2,229,327 | 2,748,784 | 251,067 | 232,672 | 562,943 | 739,903 | 7,317,751 |
| Total Education | 124,538 | 28,227 | 193,709 | 156,528 | 1,460,656 | 2,091,175 | 236,886 | 219,528 | 529,009 | 664,734 | 5,722,187 |
| cash | 62,068 | 14,118 | 96,543 | 78,012 | 405,573 | 790,246 | 118,063 | 109,411 | 262,582 | 314,557 | 2,258,884 |
| fiscal | 62,470 | 14,209 | 97,166 | 78,516 | 1,055,083 | 1,300,929 | 118,823 | 110,117 | 266,427 | 350,177 | 3,463,303 |
| TOTAL EPF | 433,126 | 98,517 | 673,693 | 544,384 | 5,079,960 | 7,272,818 | 823,857 | 763,488 | 1,839,819 | 2,311,852 | 19,900,973 |
| 1990-1991 | | | | | | | | | | | |
| Total Health | 305,685 | 69,849 | 481,981 | 388,651 | 3,659,471 | 5,288,837 | 585,298 | 534,881 | 1,341,871 | 1,710,226 | 14,411,445 |
| cash | 171,870 | 3,272 | 270,993 | 218,518 | 1,328,445 | 2,521,785 | 329,082 | 300,735 | 726,682 | 912,226 | 6,841,829 |
| fiscal | 133,815 | 3,577 | 210,988 | 170,133 | 2,331,026 | 2,767,052 | 256,216 | 234,146 | 615,189 | 798,000 | 7,569,616 |
| Total Education | 123,366 | 28,189 | 194,515 | 156,849 | 1,476,867 | 2,134,436 | 236,211 | 215,864 | 541,544 | 690,202 | 5,816,081 |
| cash | 60,035 | 13,718 | 94,660 | 76,330 | 373,653 | 824,862 | 114,951 | 105,049 | 250,391 | 312,529 | 2,233,580 |
| fiscal | 63,331 | 14,471 | 99,855 | 80,519 | 1,103,214 | 1,309,574 | 121,260 | 110,815 | 291,153 | 377,673 | 3,582,501 |
| TOTAL EPF | 429,051 | 98,038 | 676,496 | 545,500 | 5,136,338 | 7,423,273 | 821,509 | 750,745 | 1,883,415 | 2,400,428 | 20,227,523 |
| 1991-1992 | | | | | | | | | | | |
| Total Health | 303,497 | 68,556 | 480,017 | 391,525 | 3,703,388 | 5,474,056 | 582,154 | 526,868 | 1,359,144 | 1,764,908 | 14,701,206 |
| cash | 171,232 | 38,775 | 271,503 | 221,451 | 1,354,028 | 2,756,666 | 329,274 | 298,004 | 738,126 | 959,426 | 7,162,895 |
| fiscal | 132,265 | 29,781 | 208,514 | 170,074 | 2,349,360 | 2,717,390 | 252,880 | 228,864 | 621,018 | 805,482 | 7,538,311 |
| Total Education | 122,525 | 27,677 | 193,788 | 158,063 | 1,495,099 | 2,209,937 | 235,022 | 212,702 | 548,701 | 712,513 | 5,935,039 |
| cash | 59,928 | 13,583 | 95,104 | 77,572 | 383,208 | 923,867 | 115,340 | 104,387 | 254,789 | 331,299 | 2,367,354 |
| fiscal | 62,597 | 14,094 | 98,684 | 80,491 | 1,111,891 | 1,286,070 | 119,682 | 108,315 | 293,912 | 381,214 | 3,567,685 |
| TOTAL EPF | 426,022 | 96,233 | 673,805 | 549,588 | 5,198,487 | 7,683,993 | 817,176 | 739,570 | 1,907,845 | 2,477,421 | 20,636,243 |

N.B.: The figures from 1987-1988 to 1991-1992 are based on the final calculations.

Source: Department of Finance

Graphics: Research Branch, Library of Parliament

Table 2A (cont'd)

| | Newfound- land | Prince Edouard Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskat- chewan | Alberta | British Columbia | TOTAL |
|----------------|-------------------|-----------------------------|----------------|------------------|-----------|-----------|-----------|-------------------|-----------|---------------------|------------|
| (\$'000) | | | | | | | | | | | |
| 1992-93 | | | | | | | | | | | |
| Total Health | 305,293 | 68,878 | 483,664 | 394,060 | 3,741,391 | 5,564,563 | 585,200 | 527,837 | 1,384,049 | 1,815,740 | 14,919,141 |
| Cash | 175,759 | 39,653 | 278,448 | 226,862 | 1,417,334 | 2,899,224 | 336,902 | 303,879 | 769,343 | 988,848 | 7,462,200 |
| Final | 129,534 | 29,225 | 205,216 | 167,198 | 2,324,057 | 2,665,339 | 248,298 | 223,958 | 614,706 | 826,892 | 7,456,941 |
| Total Educ | 123,250 | 27,805 | 195,260 | 159,086 | 1,510,441 | 2,246,476 | 236,252 | 213,094 | 558,756 | 733,034 | 6,023,022 |
| Cash | 61,945 | 13,975 | 98,136 | 79,956 | 410,525 | 985,040 | 118,739 | 107,100 | 267,832 | 341,688 | 2,493,845 |
| Fiscal | 61,305 | 13,832 | 97,124 | 79,130 | 1,099,916 | 1,261,436 | 117,513 | 105,994 | 290,924 | 391,346 | 3,529,177 |
| TOTAL EPF | 428,543 | 96,685 | 678,924 | 553,146 | 5,251,832 | 7,811,039 | 821,452 | 740,931 | 1,942,805 | 2,548,774 | 20,942,163 |
| 1993-94 | | | | | | | | | | | |
| Total Health | 305,816 | 69,663 | 487,118 | 395,472 | 3,780,488 | 5,650,870 | 588,707 | 529,459 | 1,405,456 | 1,866,665 | 15,128,808 |
| Cash | 174,283 | 39,700 | 277,606 | 225,377 | 1,400,665 | 2,918,085 | 335,501 | 301,736 | 757,001 | 1,004,071 | 7,459,897 |
| Final | 131,533 | 29,963 | 209,512 | 170,095 | 2,379,823 | 2,732,785 | 253,206 | 227,723 | 648,455 | 862,594 | 7,668,911 |
| Total Educ | 123,461 | 28,124 | 196,655 | 159,657 | 1,526,225 | 2,281,319 | 237,668 | 213,749 | 567,398 | 753,594 | 6,107,669 |
| Cash | 61,210 | 13,944 | 97,498 | 79,155 | 399,917 | 987,963 | 117,832 | 105,974 | 260,501 | 345,350 | 2,478,173 |
| Fiscal | 62,251 | 14,180 | 99,157 | 80,502 | 1,126,308 | 1,293,356 | 119,836 | 107,775 | 306,897 | 408,244 | 3,629,496 |
| TOTAL EPF | 429,277 | 97,787 | 683,773 | 555,129 | 5,306,713 | 7,932,189 | 826,375 | 743,208 | 1,972,854 | 2,620,259 | 21,236,477 |
| 1994-95 | | | | | | | | | | | |
| Total Health | 304,926 | 70,344 | 490,467 | 397,304 | 3,810,164 | 5,715,875 | 591,795 | 531,867 | 1,421,261 | 1,916,178 | 15,299,589 |
| Cash | 168,951 | 38,976 | 271,753 | 220,134 | 1,326,054 | 2,852,225 | 327,896 | 294,692 | 740,593 | 1,010,605 | 7,277,048 |
| Final | 135,975 | 31,368 | 218,714 | 177,170 | 2,484,110 | 2,863,650 | 263,899 | 237,175 | 680,668 | 905,573 | 8,022,541 |
| Total Educ | 123,102 | 28,398 | 198,007 | 160,396 | 1,538,206 | 2,307,562 | 238,914 | 214,721 | 573,779 | 773,582 | 6,176,613 |
| Cash | 58,748 | 13,553 | 94,496 | 76,546 | 362,541 | 952,271 | 114,018 | 102,472 | 251,637 | 344,997 | 2,379,613 |
| Fiscal | 64,354 | 14,845 | 103,511 | 83,850 | 1,175,665 | 1,355,291 | 124,896 | 112,249 | 322,142 | 428,585 | 3,796,859 |
| TOTAL EPF | 428,028 | 98,742 | 688,474 | 557,700 | 5,348,370 | 8,023,437 | 830,709 | 746,588 | 1,995,040 | 2,689,760 | 21,476,202 |
| 1995-96 | | | | | | | | | | | |
| Total Health | 306,199 | 71,616 | 495,813 | 401,897 | 3,857,305 | 5,814,908 | 598,577 | 537,485 | 1,440,901 | 1,965,350 | 15,540,308 |
| Cash | 162,098 | 37,914 | 262,475 | 212,758 | 1,203,055 | 2,744,388 | 316,877 | 284,536 | 711,940 | 995,319 | 6,955,714 |
| Final | 144,101 | 33,702 | 233,338 | 189,139 | 2,654,250 | 3,070,520 | 281,700 | 252,949 | 728,961 | 970,031 | 8,584,594 |
| Total Educ | 123,616 | 28,912 | 200,166 | 162,250 | 1,557,237 | 2,347,542 | 241,652 | 216,988 | 581,707 | 793,434 | 6,273,794 |
| Cash | 55,416 | 12,961 | 89,733 | 72,736 | 301,049 | 894,344 | 108,330 | 97,274 | 236,708 | 334,344 | 2,210,926 |
| Fiscal | 68,200 | 15,951 | 110,433 | 89,514 | 1,256,188 | 1,453,198 | 133,322 | 119,714 | 344,999 | 459,090 | 4,062,868 |
| TOTAL EPF | 429,815 | 100,528 | 695,979 | 564,147 | 5,414,542 | 8,162,450 | 840,229 | 754,473 | 2,022,608 | 2,758,784 | 21,814,102 |
| 1996-97 | | | | | | | | | | | |
| CT | 550,600 | 124,300 | 875,200 | 692,300 | 7,376,500 | 9,652,900 | 1,035,900 | 888,500 | 2,312,700 | 3,291,300 | 26,900,000 |
| Cash | 329,600 | 62,700 | 516,800 | 402,600 | 2,483,500 | 4,918,500 | 603,600 | 503,300 | 1,181,400 | 1,760,600 | 12,832,500 |
| Fiscal | 221,000 | 61,600 | 358,400 | 289,700 | 4,893,000 | 4,734,400 | 432,300 | 385,200 | 1,131,300 | 1,530,700 | 14,067,500 |

FEDERAL EQUALIZATION PAYMENTS
(in \$ thousands)

| | Newfound- land | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskatchewan | Alberta | British Columbia | TOTAL |
|-----------|-------------------|----------------------------|----------------|------------------|-----------|---------|-----------|--------------|---------|---------------------|-----------|
| 1977-1978 | 278,117 | 62,960 | 342,073 | 273,277 | 1,321,991 | 112,695 | 236,488 | 58,213 | 0 | 0 | 2,685,814 |
| 1978-1979 | 321,208 | 71,023 | 375,372 | 331,299 | 1,482,830 | 296,173 | 291,674 | 32,723 | 0 | 0 | 3,202,902 |
| 1979-1980 | 344,145 | 80,810 | 427,502 | 310,340 | 1,766,209 | 488,070 | 343,076 | 73,475 | 0 | 0 | 3,833,627 |
| 1980-1981 | 363,784 | 91,886 | 468,705 | 370,418 | 2,034,944 | 532,729 | 368,082 | 29,565 | 0 | 0 | 4,280,113 |
| 1981-1982 | 426,760 | 106,954 | 527,637 | 445,185 | 2,489,976 | 415,925 | 398,555 | 0 | 0 | 0 | 4,810,992 |
| 1982-1983 | 463,921 | 117,953 | 574,028 | 488,162 | 2,781,972 | 0 | 439,072 | 0 | 0 | 0 | 4,865,108 |
| 1983-1984 | 539,454 | 125,286 | 604,935 | 516,813 | 2,976,636 | 0 | 466,083 | 0 | 0 | 0 | 5,229,227 |
| 1984-1985 | 578,437 | 128,952 | 620,419 | 540,480 | 3,073,968 | 0 | 479,589 | 0 | 0 | 0 | 5,421,845 |
| 1985-1986 | 653,185 | 134,043 | 596,434 | 603,765 | 2,727,853 | 0 | 427,340 | 0 | 0 | 0 | 5,142,620 |
| 1986-1987 | 677,728 | 137,876 | 619,503 | 642,593 | 2,941,642 | 0 | 471,097 | 284,695 | 0 | 0 | 5,775,134 |
| 1987-1988 | 807,036 | 163,259 | 733,501 | 723,534 | 3,151,152 | 0 | 727,391 | 299,052 | 0 | 0 | 6,604,925 |
| 1988-1989 | 838,697 | 177,065 | 834,989 | 771,133 | 3,392,537 | 0 | 794,939 | 457,444 | 0 | 0 | 7,266,804 |
| 1989-1990 | 895,081 | 191,988 | 885,340 | 884,124 | 3,354,536 | 0 | 957,692 | 638,873 | 0 | 0 | 7,807,634 |
| 1990-1991 | 918,795 | 194,210 | 948,792 | 867,987 | 3,626,900 | 0 | 914,488 | 530,936 | 0 | 0 | 8,001,954 |
| 1991-1992 | 874,760 | 186,475 | 850,588 | 967,333 | 3,466,245 | 0 | 853,396 | 479,822 | 0 | 0 | 7,678,619 |
| 1992-1993 | 879,006 | 167,046 | 864,333 | 851,419 | 3,646,514 | 0 | 835,927 | 482,624 | 0 | 0 | 7,726,869 |
| 1993-1994 | 920,800 | 179,900 | 984,500 | 890,900 | 3,630,000 | 0 | 896,900 | 531,200 | 0 | 0 | 8,034,100 |
| 1994-1995 | 962,500 | 195,800 | 1,052,500 | 931,900 | 3,669,500 | 0 | 983,800 | 536,100 | 0 | 0 | 8,332,200 |
| 1995-1996 | 1,015,800 | 207,400 | 1,116,000 | 987,700 | 3,856,000 | 0 | 1,040,300 | 646,200 | 0 | 0 | 8,870,000 |
| 1996-1997 | 1,053,300 | 216,600 | 1,163,200 | 1,025,200 | 4,053,300 | 0 | 1,084,000 | 670,800 | 0 | 0 | 9,270,400 |

Source: Department of Finance.

1992-1993: sixth estimate, February 1994.

1993-1994: February 1995.

1994-1995: February 1995.

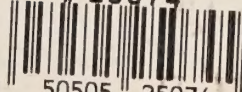
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